



MAYOR AND COUNCIL AGENDA

NO. 22

DEPT.: Finance /

DATE: December 1, 2004

ACTION: Approval of amendment to the City's Pension Plan to provide a cost of living adjustment for retirees

ACTION STATUS:

FOR THE MEETING OF: 12/6/04

INTRODUCED

PUB. HEARING

INSTRUCTIONS

APPROVED

EFFECTIVE

ROCKVILLE CITY CODE,

CHAPTER

SECTION

☐ CONSENT AGENDA

RECOMMENDATION: That the Mayor and Council approve the amendments to the Pension Plan recommended by the Retirement Board and described in the Background section.

IMPACT: ☐ Environmental ☒ Fiscal ☐ Neighborhood ☐ Other:

The cost of living adjustment of 1.5% will result in an additional accrued liability of approximately \$240,000. This will increase City payments into the Plan in FY 2006 by approximately \$24,000, spread across all City funds. (Currently, additional liabilities are amortized over 20 years, based on an interest rate of 7.75%.)

BACKGROUND:

At their meeting on November 10, 2004 the Retirement Board reviewed recent changes to the Consumer Price Index. For the period from January through September 2004 (the last month for which data was available) the all City average CPI-U increased by 2.5%; the twelve month September to September increase was 2.5%. The CPI-U for the Washington-Baltimore area for the period from January through September 2004 increased by 3.2% and the September to September increase was 3.1%.

The last retiree Cost of Living Adjustment for 1.5% went into effect on January 1, 2004; no retiree COLA was granted for January 1, 2003.

Based on their review, the Board recommends a COLA adjustment of 1.5% for all retirees who were receiving benefits prior to January 1, 2004. The effective date of this change will be January 1, 2005.

The City had 126 retirees as of April 1, 2004, the date of the last actuarial evaluation.

PREPARED BY:

Donna J. Boxer
Donna J. Boxer, Director of Finance

APPROVE:

Scott Ullery
Scott Ullery, City Manager

12/01/04
Date

LIST OF ATTACHMENTS:

None.